WEEKLY ECONOMIC UPDATE

21 OCTOBER 2024

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S EXPORTS SLIPPED ON WEAKER MANUFACTURING AND MINING

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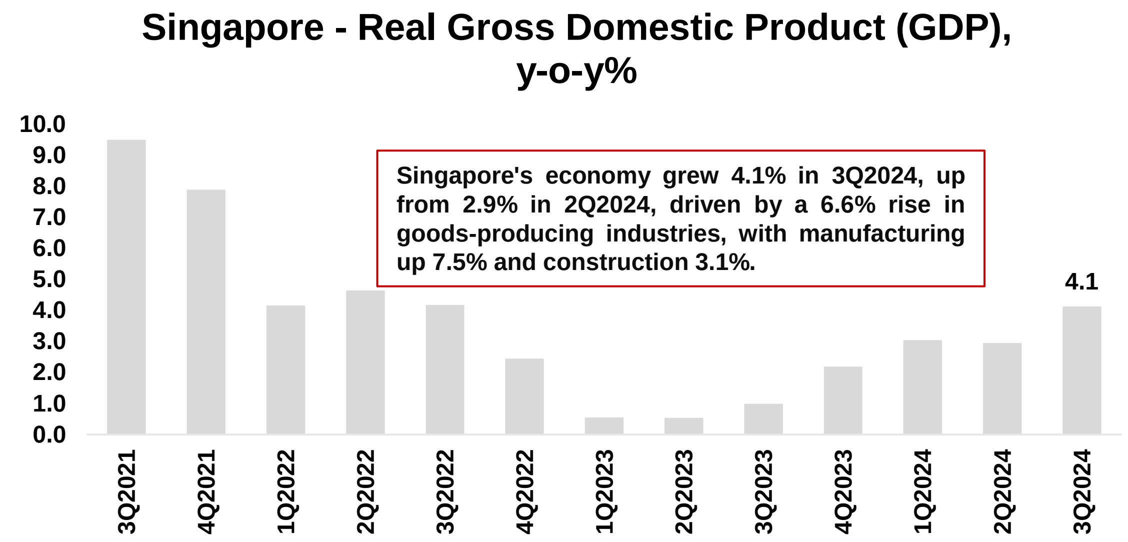
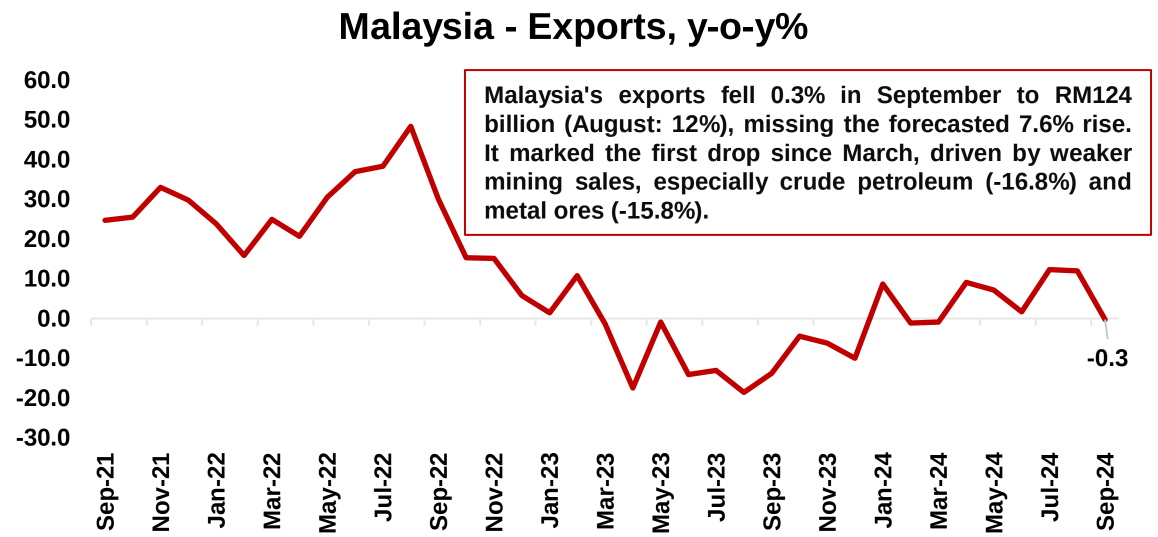
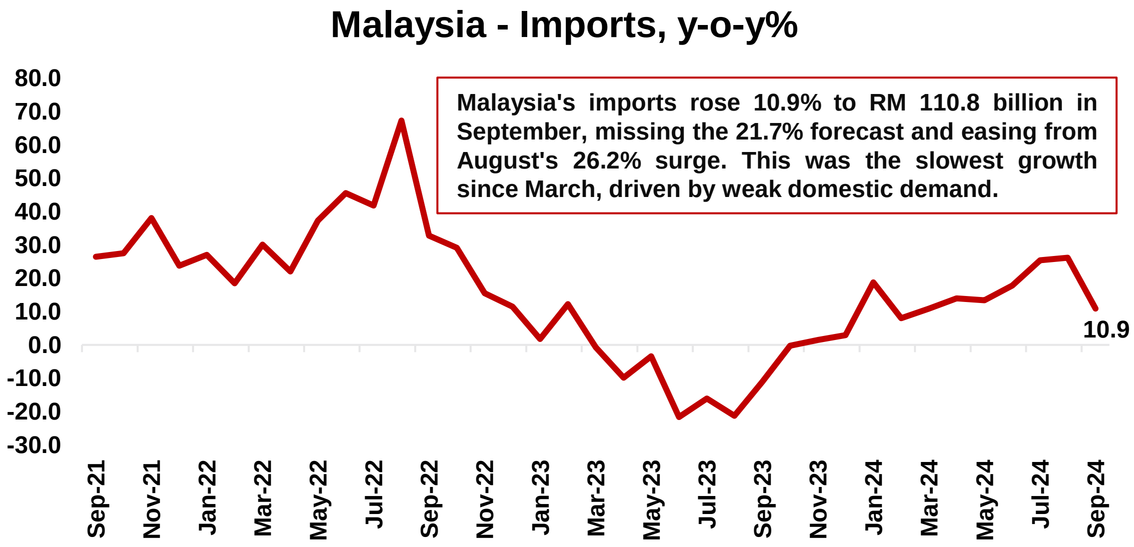
GLOBAL



DOMESTIC





Sources: Singapore Department of Statistics, National Bureau of Statistics, Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: STOCKS MARKET MOSTLY RISE; JAPAN LEADS WHILE HONG KONG LAGS

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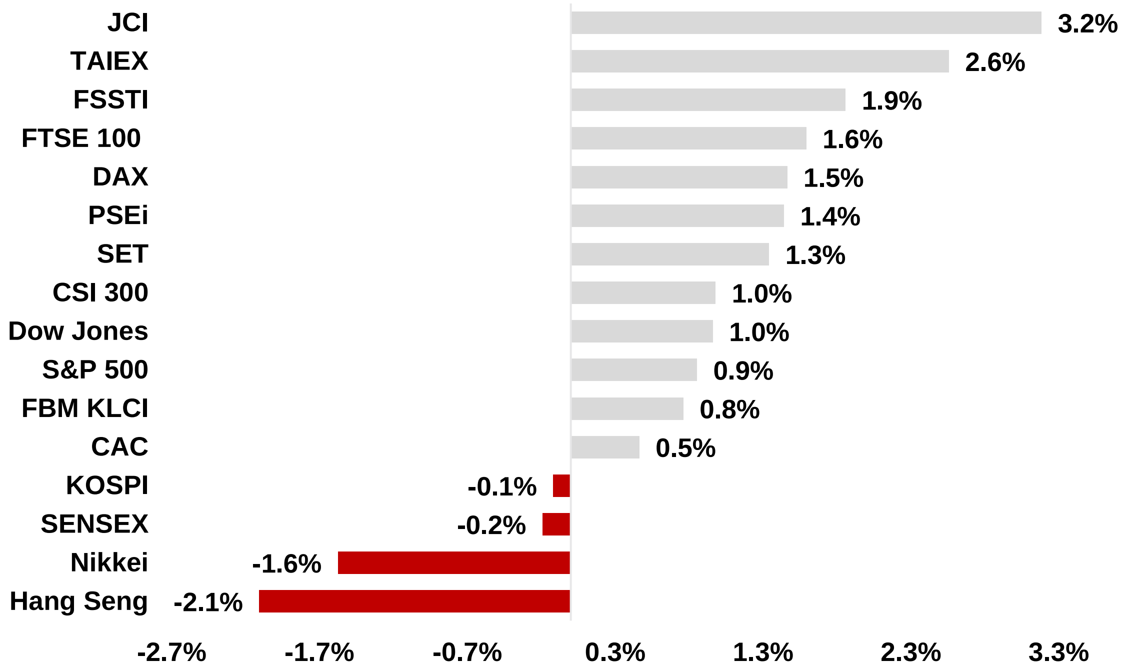
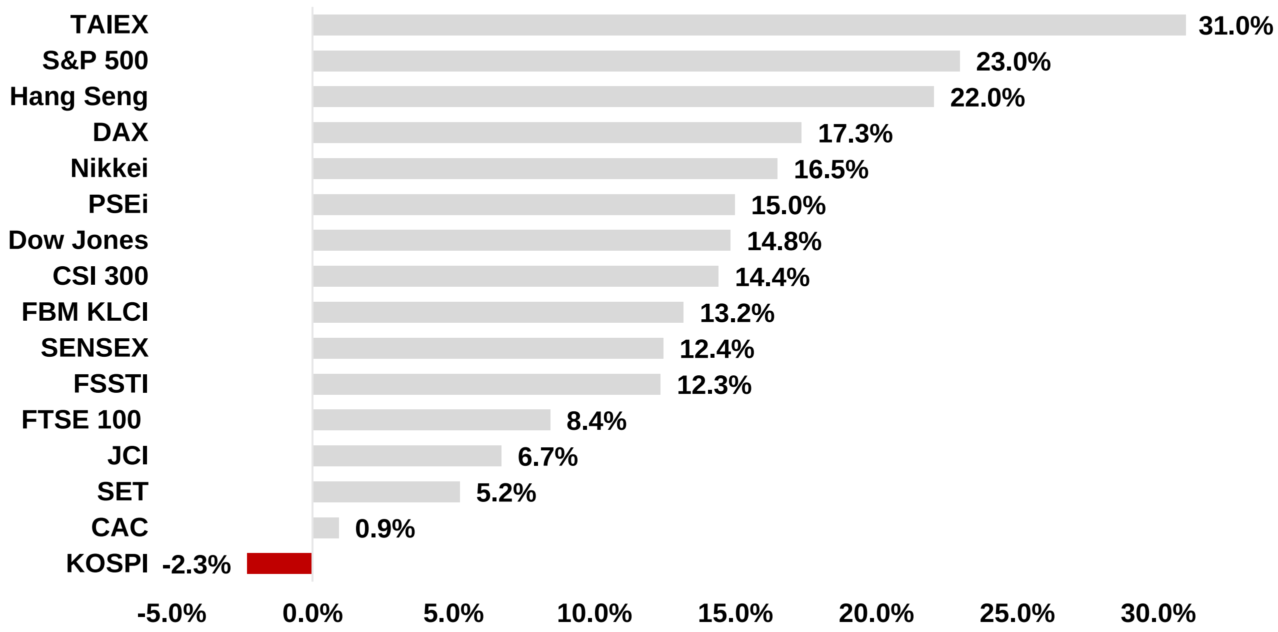
Weekly Gain/Loss of Major Equity Market, w-o-w%



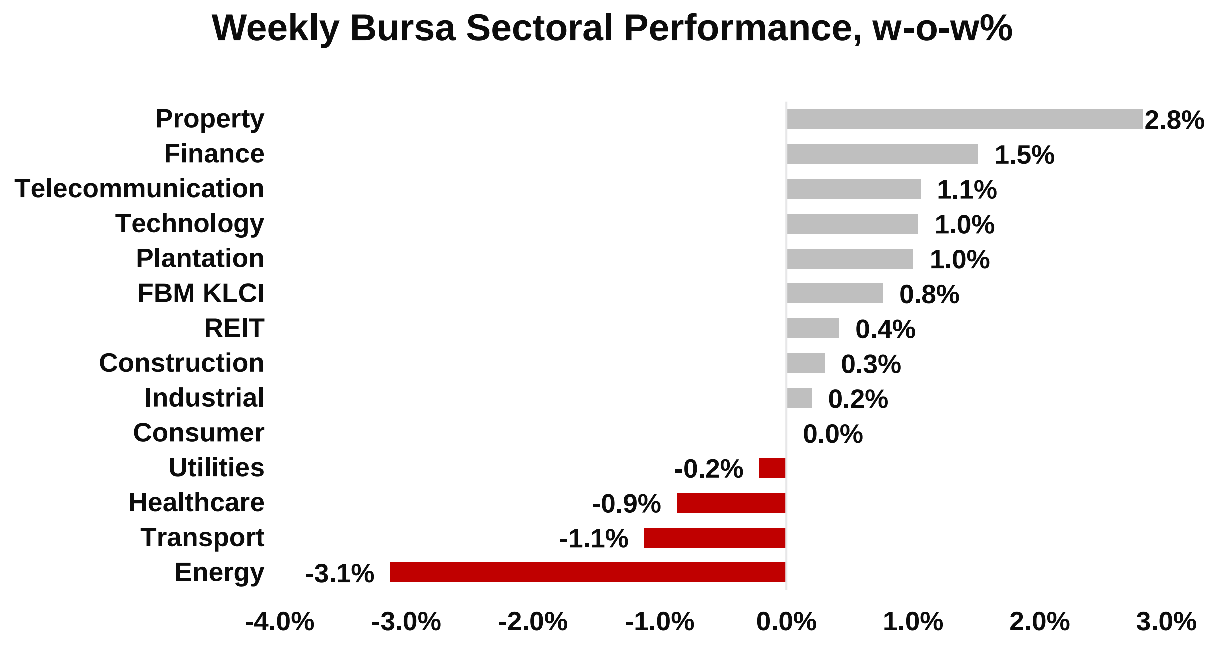
YTD Gain/Loss of Major Equity Markets, % (As of 18 October 2024)

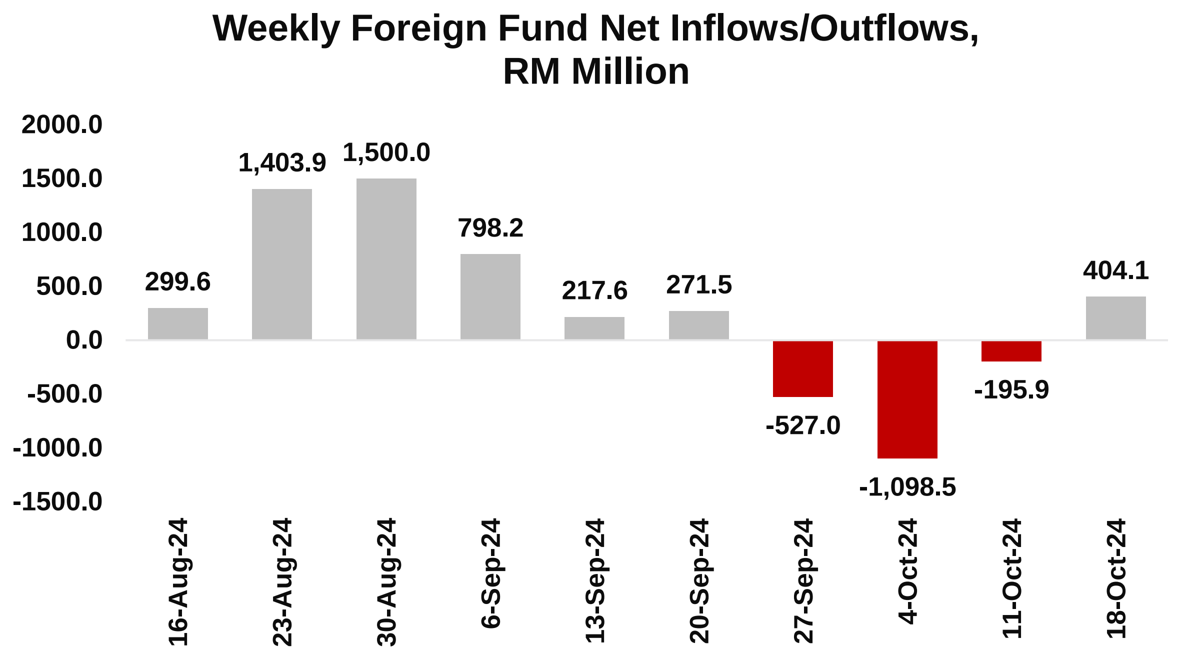


Sources: Bursa, CEIC Data

- The regional equity index mostly in the green last week with Japan's JCI grew to the tune of 3.2% as domestic inflation slowed, hence tempered expectations of a more aggressive stance from the Bank of Japan (BoJ). Recent data revealed that Japan's headline and core inflation rates in September dropped to a five-month low, at 2.5% (Aug: 3.0%) and 2.4% (Aug: 2.8%), respectively.
- U.S. stocks – Dow Jones (+1.0%) and S&P 500 (+0.9%) also surged slightly driven by strong quarterly earnings from Netflix which bolstered investor confidence and provided a boost to the tech sector.
- In contrast, Hong Kong's Hang Seng was the major loser last week, contracting by 2.1%, weighed down by growing uncertainties over whether Beijing will introduce substantial fiscal stimulus to achieve its 2024 growth target of "around 5.0%".

DOMESTIC EQUITY: FBM KLCI ENDED IN THE GREEN AS BUDGET 2025 OPTIMISM FUELS BUYING INTEREST





Sources: Bursa, CEIC Data

- The FBM KLCI closed 0.8% higher for the week ending October 18 on upbeat sentiments surrounding the unveiling of Budget 2025.
- Optimism ahead of the release had buoyed buying interest across board as investors were hoping to glean insights into government measures in sustaining Malaysia's upbeat economic momentum. One other key area of interest was the possibility of the government introducing a consumption tax or the subsidy rationalisation of RON95.
- While it was a no go on the former, Prime Minister Anwar Ibrahim signaled that the RON95 subsidy rationalisation is in the plans with the estimated rollout timeline at mid-2025. This had caused the Energy index to decline by 3.1% last week, also exacerbated by falling oil prices.
- Meanwhile, the Property (+2.8%) index topped the gainers, followed by the Finance (+1.5%) and Telecommunications (1.1%) indices.
- Foreign investors returned to the local market following three weeks of net selling, acquiring a total of RM404.1 million worth of equities. The net buying had increased the cumulative total net inflow this year to RM3.1 billion.

FIXED INCOME: UST YIELDS STEADY AS ECONOMIC DATA HIGHLIGHTS RESILIENCE

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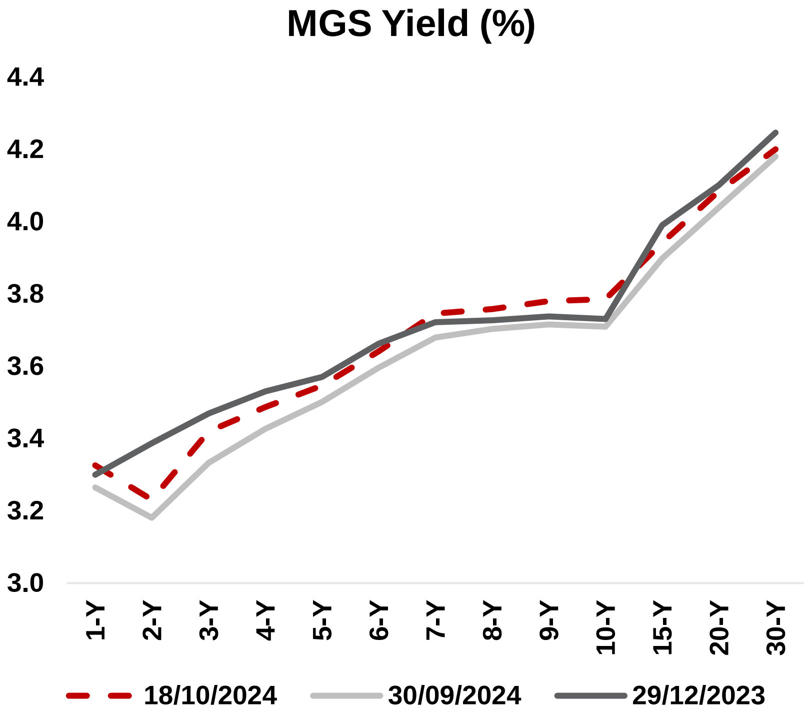
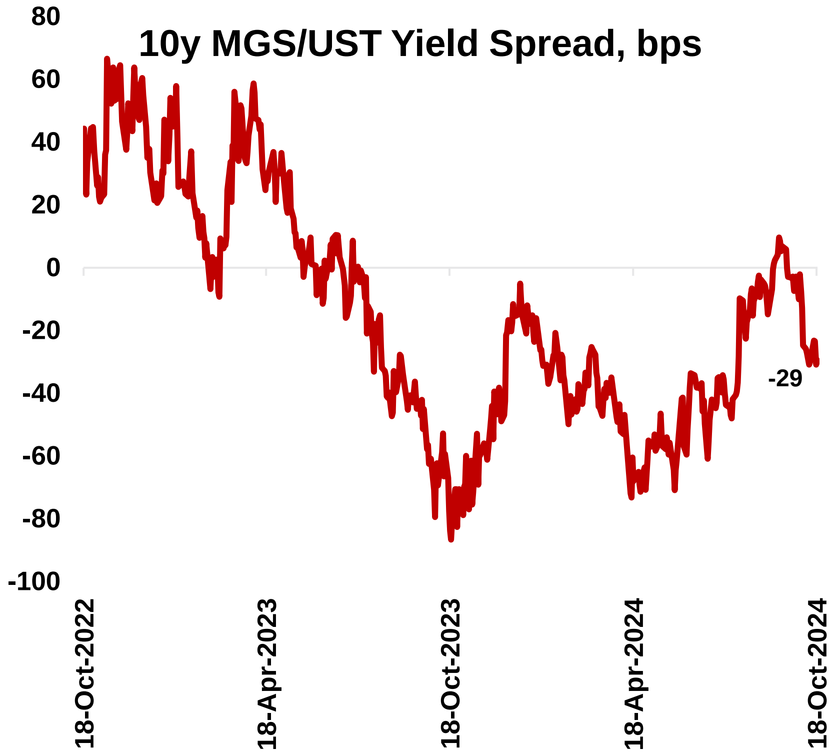
Weekly Changes, basis points (bps)

UST	Yields (%) 11-Oct-24	Yields (%) 18-Oct-24	Change (bps)
3-Y UST	3.85	3.86	1
5-Y UST	3.88	3.88	0
7-Y UST	3.97	3.97	0
10-Y UST	4.08	4.08	0
MGS	**Yields (%) 11-Oct-24**	**Yields (%) 18-Oct-24**	**Change (bps)**
3-Y MGS	3.42	3.42	0
5-Y MGS	3.56	3.55	-2
7-Y MGS	3.76	3.75	-1
10-Y MGS	3.78	3.79	1
GII	**Yields (%) 11-Oct-24**	**Yields (%) 18-Oct-24**	**Change (bps)**
3-Y GII	3.37	3.36	-1
5-Y GII	3.55	3.55	0
7-Y GII	3.76	3.75	-1
10-Y GII	3.80	3.83	3

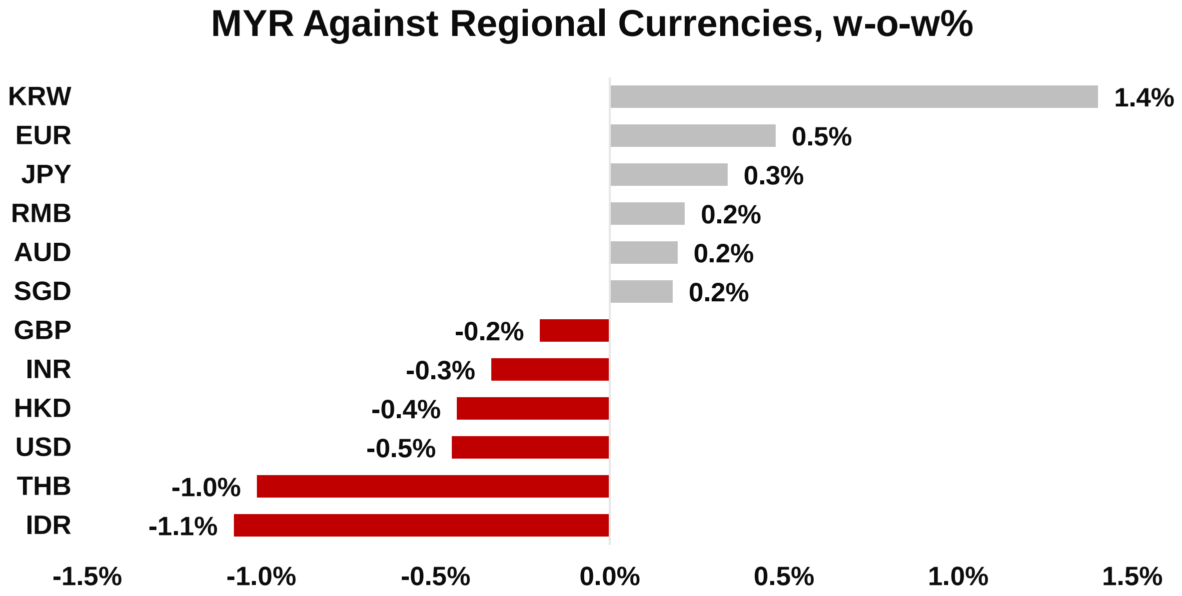
Sources: BNM, Federal Reserve Board

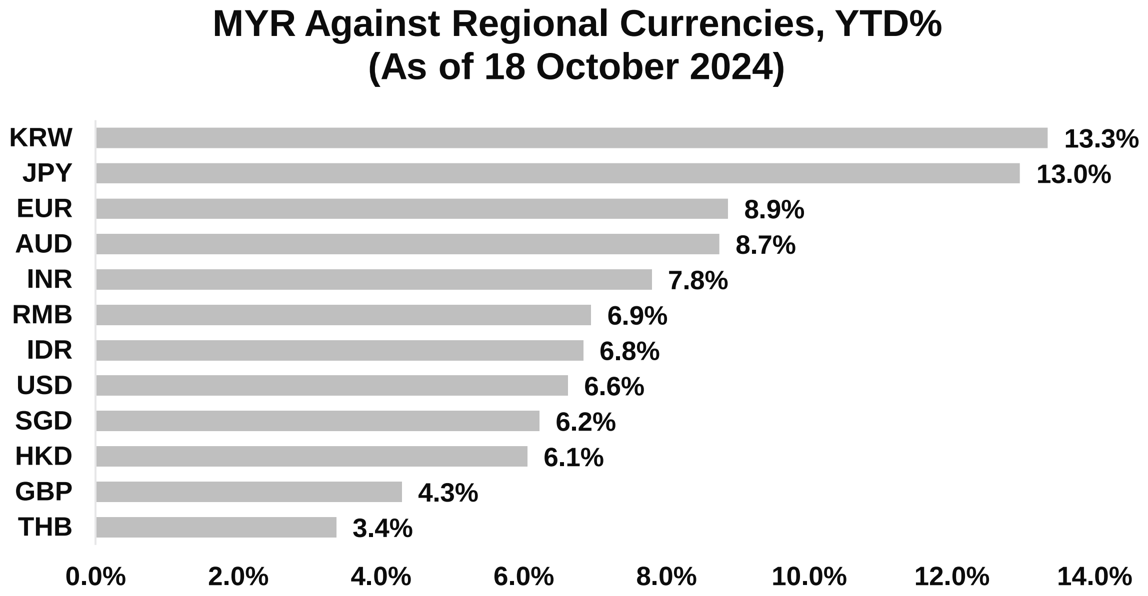




- The U.S. Treasury (UST) yields were mostly unchanged with only 3-Y UST yield edged up slightly by 1bp for the week ending October 18. The recent major economic data continued to reinforce the perception that the U.S. economy remains largely resilient to higher interest rates, reducing the urgency for the Federal Reserve (Fed) to ease its policy to less restrictive levels.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed with the 3-Y MGS and 5-Y GII yields plateaued at 3.42% and 3.55%, respectively.
- The auction of 10-Y reopening of GII worth RM4.5 billion which was issued on October 15 drew a tepid demand with a bid-to-cover (BTC) ratio of 1.6x, lower compared to the previous RM5.0 billion 10-Y reopening of GII in July 2024, which garnered a BTC ratio of 2.4x.
- The 10y MGS/UST yield spread narrowed marginally in the negative territory at -29bps relative to -30bps in the prior week.

FX MARKET: RINGGIT DEPRECIATED AS KEY U.S. FIGURES DASHES HOPE OF A JUMBO RATE CUT

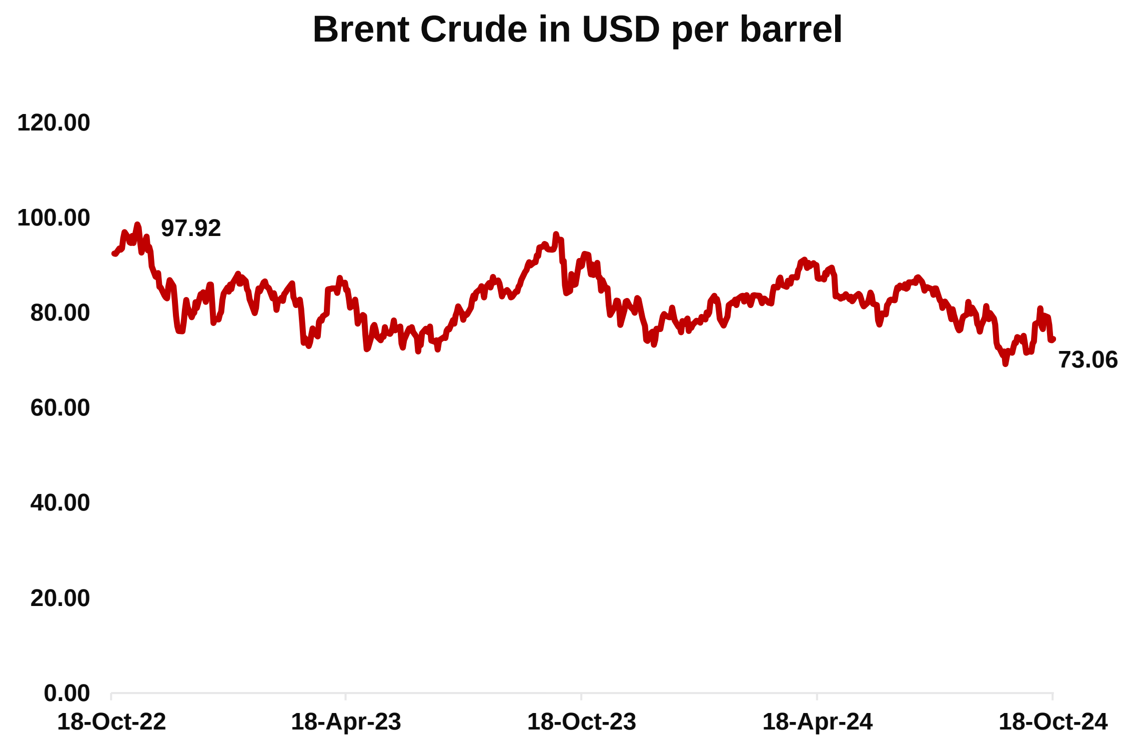


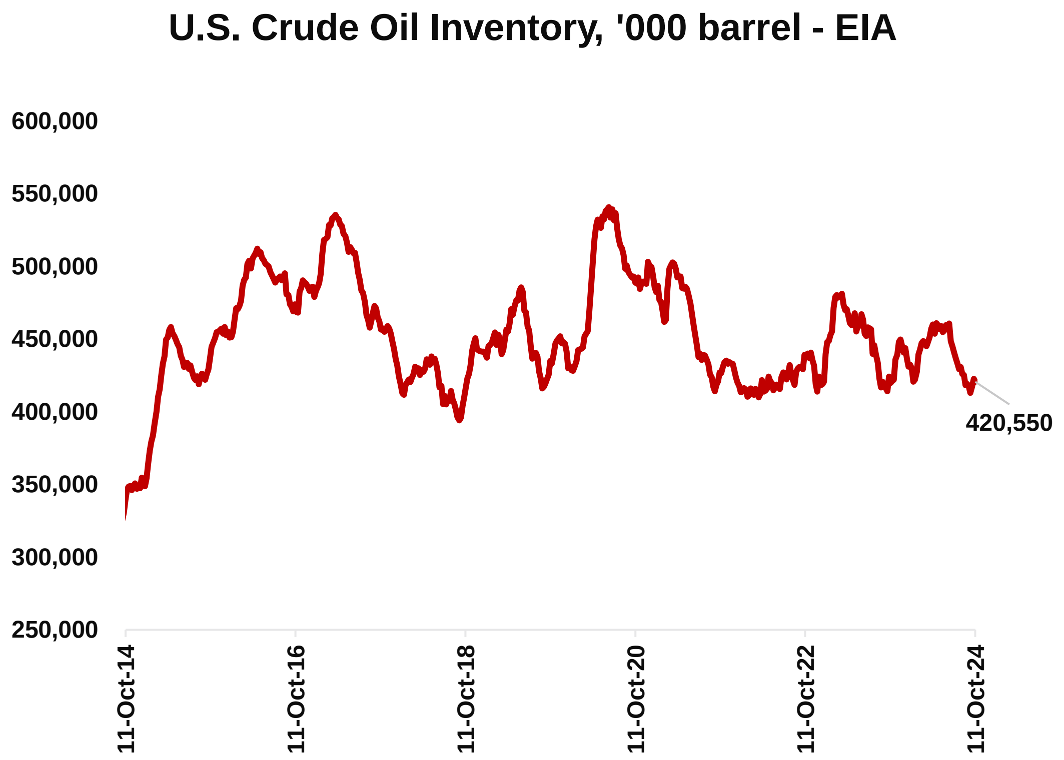


Sources: BNM, BLS

- Diverging from the positive performance observed in the local market, the local note failed to gain following the tabling of the Budget 2025, slipping by 0.5% against the USD for the week ending October 18 as the USD index returned above the 103-level.
- The appreciation of the greenback was underpinned by increased demand following heightened fears of an intensifying conflict in the Middle East. Furthermore, with the U.S. presidential election ticking closer, uncertainties stemming from the close race as depicted by recent polls had spurred interest in the greenback.
- Additionally, the Initial Jobless Claims (IJC) for week ending October 12 showed lesser than expected number of people filing for unemployment benefits at 241K (Est: 260K). This had lent some support to the greenback's rise as markets are increasingly rallying behind a 25bp cut in the Fed's upcoming November meeting.
- Meanwhile, the local note appreciated by 0.5% against the Euro following the European Central Bank (ECB)'s move to cut interest rates by 25bp on Thursday whilst maintaining a dovish view for its last meeting of the year.

COMMODITY: OIL PRICES POISED FOR LARGEST WEEKLY DROP IN OVER A MONTH AMID DEMAND CONCERNS



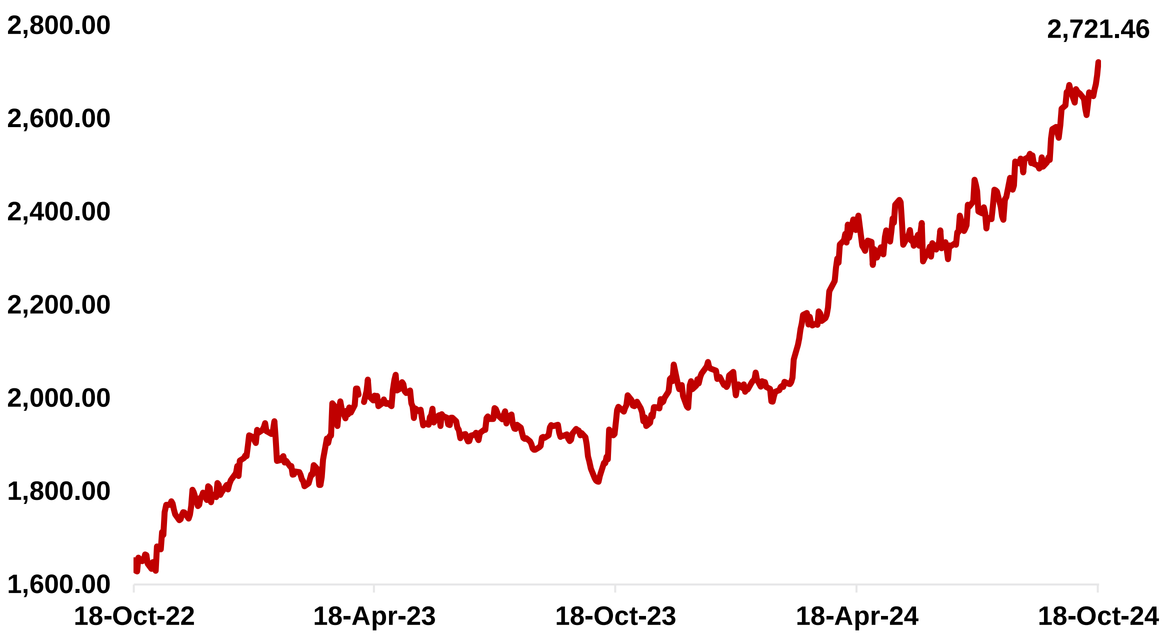


Sources: Bloomberg, Energy Information Administration (EIA)

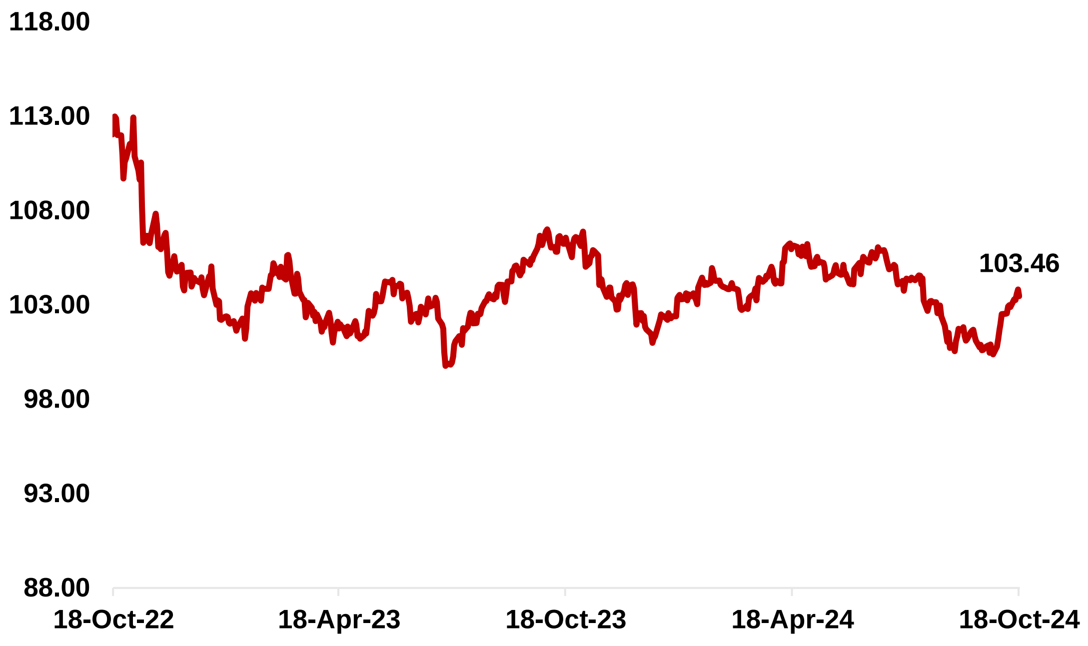
- Brent oil prices dropped to USD73 per barrel for the week ending October 18, marking their largest weekly loss since early September with a decline of over 7%. This drop was attributed to reduced demand forecasts from OPEC and the IEA, China's economic slowdown and easing Middle East supply concerns weighed on the market.
- Meanwhile, U.S. crude inventories unexpectedly declined by 2.2 million barrels to 420.6 million barrels for the week ending October 11. This drop occurred as refineries increased their capacity utilization, and a decrease in imports offset a record-level production rise.

COMMODITY: GOLD PRICE MARKED FRESH HIGH AS ITS SAFE-HAVEN GLOW BOLSTERED DEMAND

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price surged by 2.4% last week, marking a new historic high of USD2,721.46 on Friday.
- Such rapid uptrend was attributable to its safe-haven status, drawing higher demand amid intensifying tensions in the Middle East as well as the approaching U.S. presidential election.
- Furthermore, the ECB had cut key interest rates by 25bps in its latest October meeting, lending support to the bullion price.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., preliminary estimates for the S&P Global Purchasing Manager's Index (PMI) will offer an early glimpse of private sector performance for October. Additionally, durable goods orders are anticipated to have declined by 0.9% in September, following a stagnant result in August. Several Fed officials are also scheduled to speak this week. On the corporate side, earnings season will continue with major companies like Tesla, Coca-Cola, 3M, General Motors, and Verizon reporting their quarterly results.

- In Europe, preliminary PMI estimates will provide key insights into economic performance for October. The Eurozone is expected to see continued contraction in the manufacturing sector, while modest growth is anticipated in the services sector. In Germany, the manufacturing downturn is likely to worsen, with services growth slowing, while France is expected to face ongoing contractions in both sectors. However, consumer sentiment across the Euro Area is expected to improve marginally to -12.3 points in October (Sep: -12.9 points), reaching its highest level since February 2022.

- China is set for a relatively quiet week in terms of economic releases, following a recent data surge that highlighted the country's fragile economic situation. On Monday, the People's Bank of China (PBoC) announced a reduction in the one-year Loan Prime Rate (LPR) by 25bp, lowering it from 3.35% to 3.10%. Additionally, the five-year LPR was cut from 3.85% to 3.60%.

- On the other hand, Malaysia's advance GDP estimates grew by 5.3% in 3Q2024, down from 5.9% in the previous quarter. This moderate performance was supported by growth across all sectors, particularly in the services and manufacturing industries, while the mining and quarrying sector saw a decline during the period. In addition, Malaysia is scheduled to release September inflation rate this week. Malaysia's CPI inflation rate is forecasted to tick slightly higher to 2.0% after easing to 1.9% in August. In Budget 2025 tabling, Prime Minister Datuk Seri Anwar Ibrahim announced that the government will implement targeted subsidy in mid-2025 and revised the 2024 inflation forecast range to 1.5%-2.5% relative to 2.1% to 3.6% in Budget 2024.

THANK YOU